
WEEKLY FINANCIAL SERVICES REPUBLICAN ROUND-UP 4.16.2010

The Democrats' Financial Regulation Bill Is A Sham; Rewards Regulators That Failed To Police The Financial Market.

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While the Obama Administration and congressional Democrats have seized upon the SEC's announcement that it is filing civil charges against Goldman Sachs to make the case for their financial regulation effort, the truth is that the Democrats' proposal fails to address the problems that caused the crisis and will only make matters worse.

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The Democrats' proposal rewards the financial regulators that largely failed to carry out their duties leading up to the crisis, failings that were laid bare by the report of the Lehman Brothers Bankruptcy Examiner that will be the subject of an April 20th Committee hearing. Under the Democrats' bill, the Federal Reserve is given the primary task to oversee systemic risk in the financial market despite the fact that the Fed has historically done a poor job of identifying and addressing systemic risks before they become crises. It also grants broad new authorities to the SEC, another agency that failed in its mission to protect investors and the capital markets.

The Democrats Gift To Wall Street: Permanent Bailouts.

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The Democrats' financial regulation bill fails to make Wall Street responsible for its actions. Instead, the Democrats will set up a bailout regime that empowers the government to carry out AIG-style bailouts in the future.

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The legislation provides congressional blessing for sweetheart deals like the one received by Goldman Sachs and large foreign banks when the government chose to pay AIG's credit default swap counterparties 100 cents on the dollar, all in the name of containing "systemic risk."

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The Democrats' proposal also empowers the Federal Reserve to designate firms as "too big to fail," essentially creating new Fannies and Freddie's in the financial markets. Firms having the "too big to fail" designation will be viewed as carrying an implicit government guarantee, conferring enormous competitive advantages on those companies at the expense of institutions deemed by the government to be "too small to save."

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Americans want an end to the bailouts. However, the Democrats have failed to produce a bailout exit strategy.

The Republican Regulatory Reform Legislation Ends Bailouts, Protects Taxpayers, Consumers And Investors.

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Republicans have offered real financial regulatory reform that will end the bailouts once and for all. Bankruptcy is the only way to ensure that taxpayers are never again on the hook for the mistakes made on Wall Street.

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The Republican bill for financial regulatory reform reins in the Federal Reserve and ends the "too big to fail" government policy that enabled taxpayer bailouts.

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The Republican bill also addresses Fannie Mae and Freddie Mac, the two enterprises that were at the heart of the economic crisis. The Democrats' bills are silent.

ON THE HORIZON

Tuesday, April 20: The Full Committee will convene for a hearing on Lehman Brothers bankruptcy at 11 am in room 2128 Rayburn.

Wednesday, April 21: The Capital Markets Subcommittee will convene for a hearing entitled, "Corporate Governance and Shareholder Empowerment" at 10 am in room 2128 Rayburn. At 2 pm, the Housing Subcommittee will hold a hearing entitled, "Legislative Proposals to Reform the National Flood Insurance Program" in room 2128 Rayburn.

Thursday, April 22: At 10 am in room 2128 Rayburn, the Full Committee will convene a markup of the following bills: flood Insurance; H.R. 2555, Homeowners' Defense Act; H.R. 1264, Multiple Peril Insurance Act; H.R. 2336, Green Act; FHA Reform; and RHS Loan Guarantee.

WEEKEND MUST-READS

NY Times: "Lehman Examiner Sees Possible Grounds for Suit ... In a portion of the Lehman examiner's report unsealed Wednesday, Anton Valukas, appointed to investigate the circumstances surrounding Lehman Brother's collapse and liquidation, says that the failed investment bank may have cause to sue Goldman Sachs and Barclays for what might be a "fraudulent transaction."

Wall Street Journal: "Geithner Letter Could Steer Derivatives Debate Away From Ban on Banks ... Treasury Secretary Timothy Geithner said Thursday in a letter that tight restrictions on derivatives is "at the core" of a sweeping overhaul of financial rules but didn't call for the outright ban on trading by banks that some Democrats are pushing."

Wall Street Journal: "Too Big Not to Get Right ... At long last, the financial reform debate is getting serious, which is to say it is getting to the major questions-specifically, how can we protect the American taxpayer from being held up one more time by the failure of the banking system?"

Wall Street Journal: "Incurious Inquiry ... Those who say nothing useful came from last week's hearings of the Financial Crisis Inquiry Commission exaggerate-by, say, one or two percent."

Washington Post: "Smaller banks given federal extension to help preserve key accounts ... Federal banking regulators voted Tuesday to extend a guarantee program aimed at helping smaller banks overcome the fallout from the financial crisis while also moving to explore a proposal that could result in higher fees on large, risky banks."

Washington Post: "Treasury seeks public comments on reform plans for housing-finance system ... Nineteen months after the government seized mortgage-finance giants Fannie Mae and Freddie Mac in what has become the costliest bailout of the financial crisis, the Treasury Department on Wednesday began the process of overhauling them."

REPUBLICANS IN THE NEWS

Rep. Jeb Hensarling issued the following press release: [Hensarling to Introduce Community Reinvestment Act Repeal](#)

Rep. Shelley Moore Capito issued the following press release: [Capito Introduces Bill to Continue Access to Home Ownership in Rural Communities](#)

Rep. Scott Garrett issued this press release: [The American People Don't Need a Goldman Sachs-Endorsed Wall Street Bailout Bill](#)

Rep. Spencer Bachus issued the following press releases: Bachus: Democrats' Proposal Will Continue Bailouts, Kill Jobs; Bachus: Administration Still Has No Plan For Fannie, Freddie Reform; Donovan Confirms Administration Is Slow Walking On GSE Reform; Bachus: The Obama Administration Should Help Homeowners By Creating New Jobs, Not New Taxpayer Bailouts ; Bachus: Democrat Bailouts Make Taxpayers Pay for Wall Street's Sins

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